

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 783 - HB 1204

April 19, 2021

SUMMARY OF ORIGINAL BILL: Authorizes any amount of sales and use taxes collected within 0.25 miles of the center point of a new minor league baseball stadium, in excess of the sales and use tax collections generated in the same area in FY19-20, to be allocated to the entity that is responsible for retirement of the debt on and maintenance of the stadium in the municipality, if the stadium is placed in service after December 31, 2020, and on or before December 31, 2025.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Exceeds \$131,200/FY23-24 and Subsequent Years

Foregone State Revenue – Exceeds \$262,300/FY23-24 and Subsequent Years

Increase Local Revenue – Exceeds \$393,500/FY23-24 and Subsequent Years

SUMMARY OF AMENDMENT (007346): Deletes all language after the enacting clause. Authorizes any amount of sales and use taxes collected within a new minor league baseball stadium, to be allocated to the entity that is responsible for retirement of the debt of the stadium in the municipality, if such stadium is placed in service after December 31, 2020, and on or before December 31, 2025. Requires all future minor or major league baseball franchisees that construct a new stadium to receive allocations of local sales tax revenue pursuant to Tenn. Code Ann. § 67-6-103(d)(1)(A)(iii).

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Foregone State Revenue – Exceeds \$129,300/FY23-24 and Subsequent Years

Increase Local Revenue – Exceeds \$129,300/FY23-24 and Subsequent Years

Assumptions for the bill as amended:

- The proposed legislation will apply to three counties: Davidson, Knox, and Shelby. However, based on Fiscal Review Committee staff research, only the new Tennessee

Smokies stadium in Knoxville will meet the requirements of this legislation and qualify for the proposed allocation.

- Pursuant to Tenn. Code Ann. § 67-6-103(d)(1)(A)(iii), the entity that is responsible for retirement of the debt on and maintenance of the Knoxville stadium would qualify, under current law, for the allocation of state and local sales tax revenue equal to the amount of state and local tax revenue derived from the sale of admissions to Tennessee Smokies games, and also the sales of food and drinks sold on the premises of the stadium used in conjunction with those games, parking charges, and related services, as well as the sales by the franchise, within Knox County, of authorized franchise goods and products associated with its operations as a professional sports franchise less local taxes collected in the year preceding the new stadium occupancy.
- Pursuant to Tenn. Code Ann. § 67-6-103(d)(1)(A)(v), the state sales tax rate subject to such apportionment is 5.5 percent. The rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 4.603 percent.
- The new Tennessee Smokies stadium is assumed to be placed into service by July 1, 2023. Therefore, the first year impacted by this legislation will be FY23-24.
- Pursuant to Tenn. Code Ann. § 67-6-103(d)(1)(A)(iii), the stadium is already eligible to receive state and local sales tax revenue from franchised baseball events; therefore, any foregone revenue from such events is considered not significant; however, the proposed legislation will allocate state and locals sales tax for non-franchised baseball events as well.
- Based on First Horizon Park's (Nashville) non-baseball events of 2019, it is estimated that the new Knoxville stadium would host a similar number, or at least 47 non-baseball events, that will generate sales tax revenue.
- Because the local sales tax revenue would be going to the local sports authority for the repayment of debt, the net impact to locals from the reallocation of local funds is considered not significant.
- It is estimated that each event would generate at least \$2,750 (\$50,000 in sales x 5.5% state sales tax rate) in state sales tax revenue, or a total exceeding \$129,250 (\$2,750 x 47).
- The recurring increase in local revenue in FY23-24 and subsequent years exceeds \$129,250.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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